

DEPARTMENT OF FINANCIAL INSTITUTIONS
MINUTES OF MEETING
OCTOBER 10, 1996

The Members of the Department of Financial Institutions met at 9:00 a.m., EST, at 402 West Washington Street, Room W-066, Indianapolis, Indiana, on Thursday, October 10, 1996. Members present were Messrs. W. Paul Wolf, Vice Chairman; Norman Lowery, Tony Zaleski, and Gary Smith. Also present from the Department were Charles W. Phillips, Director; J. Philip Goddard, Chief Counsel, Deputy Director, Non-Depository Institutions and Secretary; James M. Cooper, Deputy Director, Depository Institutions; Randall L. Rowe, Bank Supervisor; Kirk J. Schreiber, Bank Analyst; Gina R. Williams, Bank Analyst; Mark K. Powell, Supervisor, Credit Union Division; Mark Tarpey, Division Supervisor, Consumer Credit Division and Ronda Bailey, Administrative Secretary. Board Members Mark Hasten, Ronald Depasse and Mrs. Dee Godme were absent.

I. PUBLIC SESSION

- A.) Attendance**
- B.) Date of next meeting: November 21, 1996 at 9:00 a.m., EST.**
- C.) Director Charles Phillips requested approval from the Members to reschedule the dates of the November 14, meeting to November 21, and the December 12, meeting to December 19, 1996. The Members unanimously approved the request.**
- D.) A motion was made for approval of the minutes of the meeting held September 19, 1996 by Mr. Gary Smith and was seconded by Mr. Norman Lowery. The minutes were unanimously approved.**

DIVISION OF BANK AND TRUST COMPANIES

A) First Financial Bancorp, Hamilton, Butler County, Ohio

This application was presented by Mr. Kirk J. Schreiber, Senior Bank Analyst. First Financial Bancorp ("Bancorp") has applied to the Members of the Department, pursuant to IC 28-2-16, for approval to acquire 100% control of Farmers State Bancorp, ("FSB"), Liberty, Union County, Indiana, and thereby acquire its wholly-owned bank subsidiary Farmers State Bank ("Farmers State"), Liberty, Union County, Indiana.

Pursuant to the Plan and Agreement of Merger, Bancorp has formed FFB Indiana Inc., an interim Indiana bank holding company, that is a wholly-owned subsidiary of Bancorp. The interim bank holding company is created to relieve some of the tax burden on FSB's shareholders. FFB Indiana Inc. will merge with and into FSB, with FSB being the survivor.

Upon consummation, FSB will become a second tier holding company and a wholly-owned subsidiary of Bancorp. The second tier holding company will be eliminated after consummation. Farmers State will then be a wholly-owned bank subsidiary of Bancorp and will continue to exist as a separate entity.

The Agreement provides for an aggregate cash purchase price for the 967 shares of FSB's outstanding common stock to be \$7,575,000. At the effective time of the transaction, each issued and outstanding share shall be converted into the right to receive \$7,833.51 per share.

The book value of FSB's common stock at June 30, 1996 was \$4,626.68. This represents a purchase price premium of \$3,206.83 or 1.69x book value. Each of FSB's shares held immediately prior to the effective time of the merger shall be canceled upon consummation. The cash to be exchanged for FSB's shares will come from Bancorp's funds currently held in cash.

Mr. Schreiber reported that the pro forma combined financial statements as of June 30, 1996, reflect a tier one leverage capital ratio of 11.01% for Bancorp. Pro forma total assets for the same date were \$2.23 billion and total equity capital of \$248 million. The Federal Reserve Bank of Cleveland will consider this application in November.

It is the staff's opinion that the criteria for acquisition that is set forth in IC 28-2-16-17(e) have all been satisfied. A motion for approval of the application was made by Mr. Smith and seconded by Mr. Lowery. **The application was unanimously approved.**

DIVISION OF CONSUMER CREDIT

- A) Mr. Mark Tarpey, Division Supervisor of the Consumer Credit Division, presented a summary of the staff's position on the registration and paying of volume fees regarding seller credit cards under the Uniform Consumer Credit Code. Questions had been raised by some retail businesses and/or their legal counsel as to the applicability of IC 24-4.5-1-301(19) and IC 24-4.5-6-201. After review of the statute and legal opinions by the seller's legal counsel, it is the recommendation of the consumer credit staff that all credit sellers who have been identified as users of "seller credit cards" and other interested parties be advised that DFI will look to the creditor in the transaction for determination of whether IC 24-4.5 is applicable and what if any filing requirements are necessary. This position would apply beginning with renewal/volume fee reporting due January 31, 1997. The potential fiscal impact if all users of seller credit cards were to go to a third party, credit card bank is: 110 entities @246,726 based on volume fees paid for 1995. This was presented to the Members for information purposes and required no specific action by the Members.

DIRECTOR'S COMMENTS AND REQUESTS

- A) Mr. Philip Goddard, Chief Counsel, presented an update to the Members on Banking Legislation that the Department's committee has completed and items they are currently working on to present during the 1997 legislative session.
- B) Director Phillips advised the Members of actions taken pursuant to delegated authority and asked for any questions regarding clarifications of the actions, which are as follows:

BANK DIVISION

1.) **SALIN BANK AND TRUST COMPANY, INDIANAPOLIS, MARION COUNTY, INDIANA**

The bank has applied for approval to establish a full service branch banking office to be located at **U.S. Route 24 and Cass Plaza Drive, Logansport, Cass County, Indiana**. The application was received on September 3, 1996, and the branch will be known as **"Salin Bank and Trust Company"**. The proposed branch is a 480 square foot office inside a Martin's Super Market currently being constructed. The bank is leasing the space from Martin's Super Markets, Inc., Logansport, Indiana, with an annual rental of \$12M. No insider relationship exists between any insiders of the bank and any of the parties involved. It is estimated that there will be \$50M worth of leasehold improvements to make the site into a banking facility. Furniture, fixtures and equipment costs are approximated at \$150M. The bank received a Satisfactory CAMEL rating as a result of a Federal Deposit Insurance Corporation examination as of December 31, 1995. The bank's three-year average ROA is 1.19%. As of March 31, 1996, the Tier 1 leverage capital ratio is 9.62%. The investment in total fixed assets to total capital will increase from 22.40% to 23.13% following the establishment of the proposed branch. This will be the institution's twenty-first branch. **The request to establish a branch banking office was approved by the Director under delegated authority on September 19, 1996.**

2.) **METROBANK, INDIANAPOLIS, MARION COUNTY, INDIANA**

The bank has applied for approval to establish a full service branch banking office to be located at **2025 Cherry Street, Noblesville, Hamilton County, Indiana**. The application was received on August 21, 1996, and the branch will be known as **"Noble Creek Branch"**. The proposed branch is a 1,300 square foot, office within the Riverview Hospital office building and emergency care center currently being constructed. The bank is leasing the space from Riverview Hospital, Noblesville, Indiana, with an annual rental of \$23.1M. No insider relationship exists between any insiders of the bank and any of the parties involved. It is estimated that there will be \$20M worth of leasehold improvements to make the site into a banking facility. Furniture, fixtures and equipment costs are approximated at \$170M. The

bank received a Satisfactory CAMEL rating as a result of a DFI examination as of September 30, 1995. The bank's three-year average ROA is 0.66%. As of March 31, 1996, the Tier 1 leverage capital ratio is 7.13%. The investment in total fixed assets to total capital will increase from 23.00% to 25.33% following the establishment of the proposed branch. This will be the institution's fourth branch. **The request to establish a branch banking office was approved by the Director under delegated authority on September 19, 1996.**

DIVISION OF CONSUMER CREDIT

- 1.) Indiana Auto Pawn, Inc. is requesting a pawnbroker license. They will be located in Indianapolis. A personal interview was made with the President of the Company. He is currently licensed with this Department under a check cashing entity and a pay day loan entity. All references are in order. Applicant has met all of the qualifications under the statute. It is recommended that the license be issued. **The request was approved by the Director under delegated authority on September 25, 1996.**
- 2.) Donald Ford d/b/a Von's Pawn Shop is requesting a pawnbroker license. They will be located in Columbus. A personal interview was made with Mr. Ford and Mr. Steve VonHoene who will be managing the pawnshop. Mr. VonHoene is Mr. Ford's son-in-law. They are currently operating a buy/sell business in Columbus. However, they want to become primarily a pawnbroker once the license is approved. There is one (1) other licensed pawnshop in Columbus at this time. It is recommended that the license be approved. **The request was approved by the Director under delegated authority on September 25, 1996.**
- 3.) Capstone Mortgage is requesting a consumer loan license. They will have a location in South Bend. They currently operate in Michigan and Florida. They plan to make second mortgage loans. It is recommended that the license be issued. **The request was approved by the Director on September 25, 1996.**
- 4.) Glendora Mortgage, Inc. Is requesting a consumer loan license. They are based in California. They plan to make second mortgage loans using local title companies and attorneys for closing. All references are in order. It is recommended that the license be approved. **The request was approved by the Director on September 25, 1996.**
- 5.) Aggressive Mortgage Corporation is requesting a consumer loan license. They are based in Southfield Michigan. They will be using local title companies and attorneys to close second mortgage loans. All reference are in order. It is recommended that the license be issued. **The request was approved by the Director on September 25, 1996.**
- 6.) C. Broshears & S. Perkins d/b/a Holiday Check Advance is requesting a consumer loan license. They are based in Evansville. Applicant will be making "pay-day" loans. They are aware of the disclosure requirements, maximum rates, etc. for this type of specialized loan. It is recommended that the license be approved. **The request was approved by the**

Director on September 25, 1996.

- 7.) Ruth Rager d/b/a Pay-Day Cash Advance is requesting a consumer loan license. Applicant is based in Evansville. She will be making "pay-day" loans. She is aware of the disclosure requirements, maximum rates, etc. for this type of specialized loan. It is recommended that the license be issued. **The request was approved by the Director on September 25, 1996.**

DIVISION OF CREDIT UNION

- 1.) **KEMBA INDIANAPOLIS CREDIT UNION, INDIANAPOLIS, MARION COUNTY, INDIANA**

Request for approval of a Petition for approval of Proposed Amendment to the Articles of Incorporation. This amendment would place the following organization into the field of membership of the credit union:

T&K Marketing - Indianapolis - 56 members

The request was approved by the Director under delegated authority on September 23, 1996.

- 2.) **INDIANAPOLIS POLICE DEPARTMENT CREDIT UNION, INDIANAPOLIS, MARION COUNTY, INDIANA**

The Carmel Police Department - Carmel - 225 members

The Cumberland Police Department - Cumberland - 30 members

The request was approved by the Director under delegated authority on September 23, 1996.

APPROVED:

ATTEST:

W. Paul Wolf, Vice Chairman

J. Philip Goddard, Secretary